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Alberta Government
Purchasing Agency
Annual Report 1973

Alberta

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Alberta Government Purchasing Agency

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Government of the Province of Alberta

Annual Report (Series 15M)

PURCHASING AGENCY

Department of Treasury

January 1 to December 31

1973

(Last Report 1972)

Mon. G. Minialy A. F. Collins
Provincial Treasurer Deputy Provincial Treasurer

Bruce L. McClean
Director of Purchases



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Operation

of

The Alberta Government Purchasing Agency

Room 542

Terrace Building - Legislative Grounds

Edmonton - Alberta

Constituted

1939

Chapter 304

An Act to establish an Agency for the
Centralization of Government Purchases

Assented to March 31, 1939

Office of

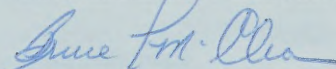
The Alberta Government Purchasing Agency

To:

The Honourable G. Miniely
Provincial Treasurer
Department of Treasury

I have the honour to submit herewith the following report covering the operations of the Purchasing Agency, Department of Treasury, for the year ending December 31st, 1973.

Your obedient Servant,



Bruce L. McClean
Director of Purchases

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The purchases shown in this report do not include the following:

1. All direct purchase orders under \$25.00.
2. Purchases of real estate and buildings.
3. Contracts for construction of roads awarded by department.
4. Contracts for construction of bridges awarded by department.
5. Contracts for construction of buildings awarded by department.
6. Contracts for construction of irrigation projects awarded by department.
7. Or any other contract awarded by a department of the Government.

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Savings

Savings are difficult to estimate with real accuracy, nevertheless, they are very great.

The saving shown in purchase dollars is obtained where competitive bids are obtainable.

These savings are shown only on routine purchases of standard products.

Discounts and tax allowances on open orders are not included in this report, as these are deducted on such orders by the department concerned.

When contracts are made in advance to cover the supply of goods or equipment over a future period, then the saving is not shown.

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1973 Purchases

Purchases of all types of merchandise
for the calendar year ending December 31st,
1973, amounted to:

\$65,736,292.57

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Comparison Figures

Total
Purchases
1945
\$5,024,092.44

Total
Purchases
1955
\$23,358,387.95

Total
Purchases
1965
\$37,310,252.75

Total
Purchases
1972
\$50,227,805.74

Total
Purchases
1973
\$65,736,292.57

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Comparison of Savings

	<u>1945</u>	<u>1972</u>	<u>1973</u>
Savings resulting from competitive bidding	\$199,586.56	\$8,902,876.82	\$10,551,869.63
Other discounts	50,055.41	802,004.28	1,493,749.79
Recovery of Sales and Excise Tax	31,435.19	443,064.10	678,096.78
	<u>\$281,077.16</u>	<u>\$10,147,945.20</u>	<u>\$12,723,716.20</u>

Sales and Excise Tax

Sales tax savings are very much greater than the figure shown.

Bulk shipments, ex factory, are purchased on a "Sales Tax not Included" basis which makes it impossible to show this recovery.

Savings on bulk contracts are not shown. This type of contract increases each year and large savings are made.

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Net Savings

Report and Comparison

The Total net savings for the year,
after the cost of operating the Agency
has been deducted, are as follows:

	<u>1971</u>	<u>1972</u>	<u>1973</u>
Gross Total Savings	\$10,255,287.45	\$10,147,945.20	\$12,723,716.20
Less salaries and cost of Purchasing Agency Office sup- plies and expenses	246,500.69	261,977.94	298,569.95
Net Savings	<u>\$10,008,786.76</u>	<u>\$ 9,885,967.26</u>	<u>\$12,425,146.25</u>

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Cost of Operation
Report and Comparison

	<u>1972</u>	<u>1973</u>
Salaries	\$229,215.41	\$254,906.15
Postage	14,634.72	17,513.27
Stationery	12,489.47	16,054.03
Repairs & Maintenance of Office Machines	1,345.13	885.43
Telegrams, Telephones	2,018.05	1,584.21
Travelling Expenses & Transportation	636.36	894.85
Equipment, permanent	1,239.74	1,549.78
Freight, Express, Cartage	66.00	42.25
Fees & Commissions	333.06	263.31
Unemployment Insurance	--	1,161.16
Canada Pension Plan	--	1,916.39
Medicare	--	1,035.54
Group Life Insurance	--	743.58
		\$298,569.95

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Volume Handled

	<u>1971</u>	<u>1972</u>	<u>1973</u>
Requisitions and Direct Purchase Orders	64,084	63,383	67,794
Purchase Orders	36,006	34,819	36,262

To obtain competitive prices on this volume entails the use of a very large number of tenders and enquiries for prices and considerable correspondence, in addition to personal contact with the suppliers.

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Cost of Operation
Per Hundred Dollars
of Purchases

<u>1971</u> (cents)	<u>1972</u> (cents)	<u>1973</u> (cents)
47.31	52.15	45.41

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Purchasing Staff

This year has seen a complete re-organization of the Purchasing Agency Staff. A new structure was initiated and put into effect by the Agency in an effort to streamline the purchasing function to accommodate the increased pressure of requirements.

Purchasing Agency staff had not increased for a number of years and had reached the point where every member of the Agency was taxed to the limit. By the addition of two new members and changing responsibility of many employees, it provided for more time to deal effectively with the many purchasing problems. Unfortunately the added work load from the overall departments, inclusive of a number of Crown Corporations, price fluctuations and shortages, rush demands and delivery problems, the Agency is again finding difficulty coping with demands.

Many commodities were purchased on a yearly contract basis which eliminated thousands of tenders and purchase orders. On many commodities prices are changing overnight and supply is very limited. As a result it is becoming increasingly difficult to obtain a contract or price commitment for any extended period of time. It appears that many yearly contracts will have to revert to monthly contracts next year. Every effort will be made to hold the line on the numbers of employees, however because of the problems we are faced with it may be necessary to request extra assistance.

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Consolidated Purchases - Janitor Supplies Contract

The number of items and the variety of items covering a contract of this kind for all Government buildings is not only large but is time consuming and difficult to handle.

Two years ago, after a number of years of preparation, the Agency established a program from which all janitor supplies are called on one tender for a six month period. The Agency in co-operation with using departments selected the products called on the tender and tests were carried out to determine quality and suitability for the required application. Building superintendents are provided with a catalogue of products they may order against the contract as and when required. All requests are awarded to the successful vendor at the quoted price for the six month period in effect.

This type of contract has many advantages, better service to departments as orders are placed immediately against the contract, much less paper work required, as one tender is called rather than hundreds and better prices due to prices submitted against the larger quantities.

Each year the price differences become less as competition becomes keener, even so it is interesting to note that the two six month contracts for 1973 resulted in substantial savings as indicated in the figures listed below:

High Bid	\$141,458.55
Purchase Price	88,075.93

As mentioned above these figures do not show the savings in time, paper and postage which would be substantial.

This type of contract has been a continuing program by the Agency, however, due to price escalation vendors will not quote firm prices for extended periods. For the present we must experiment with alternate types of contracts to carry us over this difficult period and until such time as prices and supply stabilize allowing us to continue with the proven, consolidated, long term contracts.

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Pricing - Tender System

As a general rule all bids received by the tender system are below or better than the normal pricing structure because of the competitive nature of the bid system. Even if the high bid were accepted it would represent a saving over normal pricing practice. With this in mind it is interesting to note the substantial additional savings in a variety of commodities; a few samples of which are shown:

JX 4673 - Alberta Public Works
Chain Link Fencing for three Highways Maintenance
Yards - High Bid \$25,681.53
Purchase Price 13,894.22

JX 2799 - Alberta Public Works
Supply & Installation of lined Draw Drapes complete
with Hardware; all to detailed specifications -
High Bid \$ 6,828.00
Purchase Price 2,247.00

A.C.S. Special - Department of the Attorney General
Corrections Branch - Staff Uniforms
High Bid \$51,610.94
Purchase Price 40,290.68

JA 5030 - Alberta Public Works
80 only Tables, Conference, Steel, 36" xx72"
as per detailed specifications -
High Bid \$11,621.60
Purchase Price 3,912.00

JQ 2568 - Alberta Highways & Transport
50 tons Sandblasting Sand
Sources of supply would only supply in 200 lb. drums
which was difficult to handle. Investigation resulted
in a new source of supply who would supply in
100 lb. bags.
Total price in 200 lb. drums \$1,700.00
Total price in 100 lb. bags 859.13
This resulted in an immediate saving in product cost
and an ultimate additional saving in time and labour.

Pricing - Tender System (cont'd)

- JV 5792 - Health & Social Development
Nurses Uniforms as per detailed requirement
High Bid \$10,521.00
Purchase Price 8,973.00
- JQ 8344 - Department of Municipal Affairs
2000 only 5/8" x 6" x 7' Curved Grader Blades
High Bid \$21,700.00
Purchase Price 17,700.00
- JY 0027 - Alberta Lands & Forests
3000 pair Special Fire Fighters Coveralls to a
detailed set of specifications -
High Bid \$46,500.00
Purchase Price 26,910.00
- JZ 2161 - Alberta Public Works
8500 sq. ft. Aluminum Louvre Ceiling Panels
The Department concerned requested a specific make,
no substitute. The Agency refused to handle the
order on this basis and tendered on an open spec-
ification meeting all of the requirements of the
Department -
Product specified by the Department \$37,729.48
Purchased product meeting all
requirements 15,536.06
- JA 5029 - Alberta Public Works
250 only Tables, Utility, Steel 24" x 48"
as per detailed specifications -
High Bid \$21,645.00
Purchase Price 8,475.00

Savings of this nature are made on a daily basis. Tenders are opened publicly every working day, reaching as high as three hundred in a day. All tenders are on public display in our reception area; all tenders are opened in public and prices read, and the successful prices are available on request to those who were not in attendance at the opening.

All of this entails a heavy work load however the obvious results warrant the time involved and points out the necessity of a centralized purchasing function.

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Pricing by Open Competition

Requisition No. - JT 9363
Department - Alberta Highways & Transport
Material - 350 Pair Ear Protectors

In 1972 the Department of Highways & Transport placed a request with the Agency for 250 pair Ear Protectors and requested one particular style as the only one meeting their particular requirements. From tenders returned the units requested by the Department were \$10.85 pair. In view of the variety of equipment offered and the great variance in price, the Department agreed to accept half of the order on the product they had requested and half on an alternate at \$5.90 pair. The Agency made this request in order to put both units in the field over an extended time period to evaluate the two products.

This year the above order number was received from the Department of Highways & Transport requesting 350 pair of Ear Protectors and we were able to purchase the original model quoted in 1972 at \$10.85 for a price of \$5.70 pair.

Based on 350 pair a saving of \$1,802.50 has been realized in less than 12 months on the same piece of equipment. This points out why the Agency continually fights standardization and restricted specifications in order to obtain open competition.

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Commodity Range

Most people fail to realize the scope of commodities handled by the Purchasing Agency. It is entirely possible that this Agency has at some time purchased every product in any printed catalogue and on many occasions we are requested to purchase items that have yet to be catalogued.

During the last few years the new trend in many purchasing areas has been group buying. This is where a number of purchasing offices combine their product needs and tender on a group basis. While this appears to be a new innovation with many purchasing offices, this has been the practice of this Agency for many, many years. Generally a purchasing office handles requirements for one location or company and at most may cover a small number of branches.

This Agency purchases for a complicated and widely diversified number of points such as:

- 7 Hospitals
- 6 Jails
- 12 Homes & Institutions
- 2 Technical Schools
- 1 School for Deaf
- 9 Vocational Centres
- 3 Agricultural Colleges
- 1 Rehabilitation Clinic
- 2 Auditoriums
- 1 Museum
- 4 Youth Development Centres
- 1 Remand Centre
- 1 Stock Advance Central Warehouse
- 79 Treasury Branches
- 12 Forestry Depots
- 22 Highway Garages
- 43 Provincial Parks

Further to the above we purchase all requirements for every Government building in the Province of Alberta, plus the overall requirements of every Government Department in the Province.

All of this must be handled with a minimum of delay, at the proper price meeting the required specifications, keeping the Departments, the Vendors and the taxpayers satisfied and with all transaction files open it is a tremendous task by a relatively small, dedicated staff.

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Alberta Suppliers

Bids from Vendors outside of the Province of Alberta are considered necessary at times to keep pricing competitive and to ensure a fair price to the people of the Province. Even with this competitive aspect it is encouraging to note that even though there is a substantial increase in purchasing volume, the portion purchased outside of the Province would be down from the previous year if we did not have the inclusion of the new contract for licence plates.

Total purchases for 1972 amounted to \$50,227,805.74, from this total purchase orders totaling \$7,002,969.93 were issued to companies addressed outside of Alberta.

Total purchases for 1973 amount to \$65,736,292.57, from this total purchase orders totaling \$7,283,850.14 were issued to companies addressed outside of Alberta. The total purchased outside of Alberta is broken down to \$6,165,232.21 in Canada and \$1,118,617.93 outside of Canada.

It should be noted that the total purchased outside of Alberta includes a contract for five year licence plates totaling \$1,555,850.50. This is a new item over previous years.

The Purchasing Agency makes a determined effort to work with and co-operate with Alberta Suppliers and I believe the figures substantiate this claim. It must be kept in mind that many products purchased are just not available in Alberta. Books, Teaching Aids, Scientific Equipment, Repair Parts, etc., are a few examples where there is a limited source of availability. Many of the purchase orders issued outside of the Province covers orders that have been dealt with by Alberta based personnel, and are shipped from Alberta storage facilities, however, because of company policy the purchase documents must be issued to a Head Office address. This accounts for a substantial percentage of the volume shown outside of the Province. It is difficult to see how out-of-Province purchases could be reduced without seriously jeopardizing supply or without substantially increasing costs.

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A Difficult Year

The year 1973 has been an extremely difficult year for this Agency and obtaining supplies to meet demands has taxed the entire staff of the Purchasing Agency.

Price fluctuations have made it impossible in many cases to obtain long range quotations. Many contracts have had to be changed from yearly contracts to semi-annual, quarterly and in some cases, monthly contracts, as suppliers were unable to hold prices for longer periods.

The rail strike created real problems with deliveries and even now many problems still remain due to back-ups created by this situation.

Shortages of many materials has been the greatest problem, and it appears that shortages in some lines will create even greater problems in 1974. In some cases programs have had to be cancelled due to shortage of essential materials. Other programs have had to be delayed until material was available. Many stock items are purchased as and when available.

Fortunately we have good relations with suppliers and working closely with them we have kept informed as to when stocks are available and advising departments when to order scarce materials has kept material ahead of demands in many areas, where ordinarily a program would have to be cancelled.

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Conclusion

In closing, may I express to you, to your Deputy Minister, and to the officials of this and the other departments of the Government, the thanks of this Agency for the co-operation which has been at all times so generously given.



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